UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF MICHIGAN
SOUTHERN DIVISION

SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

v.

MATTHEW J. GAGNON,

Defendant.

CIVIL ACTION No.

HON.

COMPLAINT

The Plaintiff, Securities and Exchange Commission ("Commission"), alleges and states as follows:

SUMMARY

1. Defendant Matthew J. Gagnon ("Gagnon") is a resident of Portland, Oregon and Weslaco, Texas. Since at least 1997, Gagnon has operated a website named Mazu, found on the World Wide Web at www.mazu.com ("Mazu website"). Gagnon has billed the Mazu website as "the world's first and largest opportunity review website."

2. Since at least 1997, Gagnon has touted himself on the Mazu website as an Internet business opportunity expert. Gagnon has reviewed for his readers various on-line business opportunities, such as multi-level marketing programs, direct marketing, and arbitrage trading. Gagnon has recommended some and has not recommended others. He has sold materials to the general public regarding such business opportunities. These materials have included promotional booklets and DVDs known as "Mazu Business Packs" or "Quick Start Guides" (collectively, "Mazu Business Packs"). These Mazu Business Packs have contained additional

representations about the opportunities promoted by Gagnon, as well as step-by-step instructions for getting started in the opportunities.

3. Gagnon has also warned readers of various scams and advised readers how to spot them. Gagnon's warnings are detailed and demonstrate that Gagnon possesses a thorough understanding of various types of scams, including Ponzi schemes and High Yield Investment Programs (known as "HYIPs").

4. Gagnon's recommendations and warnings have carried great weight among investors in "Internet business opportunities" and on-line, get-rich-quick schemes.

5. Since January 2006, Gagnon has promoted and operated a series of fraudulent, unregistered securities offerings.

6. From January 2006 through approximately August 2007, Gagnon helped orchestrate a massive Ponzi scheme conducted by Gregory N. McKnight ("McKnight") and his company, Legisi Holdings, LLC ("Legisi Holdings"), which raised a total of approximately $72.6 million from over 3,000 investors by promising returns of upwards of 15% a month. Gagnon promoted Legisi on the Mazu website and in other materials. He misled investors by claiming, among other things, that he had thoroughly researched McKnight and Legisi and had determined Legisi to be a legitimate and safe investment. Gagnon also claimed McKnight's investments routinely generated returns of over 15% a month when, in fact, McKnight's investments realized massive losses. Gagnon had no basis for the claims he made about McKnight and Legisi. Gagnon received a net of approximately $3.8 million from McKnight for his participation in the scheme. The money McKnight paid to Gagnon originated from investors.

7. Beginning in August 2007, Gagnon fraudulently offered and sold securities representing interests in a new company that purportedly was to develop resort properties.

Gagnon, among other things, falsely claimed that the investment was risk-free and "SEC compliant," and guaranteed a 200% return in 14 months. In reality, however, Gagnon sent the money to a twice-convicted felon, did not register the investment with the Commission, and knew such an outlandish return was impossible. Gagnon took in at least $361,865 from 21 investors, including $75,000 from his friend Jeffrey Kinseth ("Kinseth").

8. Gagnon then laid low for a year. He resurfaced in April 2009, when he began promoting a fraudulent offering of interests in a purported Forex trading venture in which his friend Kinseth would trade on behalf of investors. Among other things, Gagnon guaranteed that Kinseth would generate returns of 2% a month or 30% a year for his investors. Gagnon's claims were false, and Gagnon had no basis for making the claims.

9. From October 2009 to November 2009, Gagnon offered another purported Forex trading venture in which he claimed to have a trader in Europe who would trade foreign currencies for investors in exchange for 40% of any profits he generated. Gagnon removed this offer from the Mazu website in November 2009, when he received notice that the Commission had subpoenaed his bank records.

10. As of at least April 8, 2010, Gagnon posted on the Mazu website a promise that details would be coming soon about a new "Managed Trading" opportunity involving yet another unnamed trader. Gagnon promises that this trader "has averaged over 5%+ to 8%% (sic) per month for his clients (after his fee)."

11. Gagnon has been unrelenting in his efforts to raise money from the public through fraudulent, unregistered offerings. He remains a danger to the investing public.

12. Through his actions, Gagnon has violated Sections 5(a), 5(c), 17(a), and 17(b) of the Securities Act of 1933 ("Securities Act") [15 U.S.C. §§ 77e(a), 77e(c), 77q(a), and 77q(b)],

Sections 10(b) and 15(a)(1) of the Securities Exchange Act of 1934 ("Exchange Act") [15 U.S.C. §§ 78j(b) and 78o(1)], and Rule 10b-5 promulgated thereunder [17 C.F.R. § 240.10b-5].

DEFENDANT

13. **Matthew J. Gagnon** is 41 years old and resides in Weslaco, Texas and Portland, Oregon. At all relevant times, Gagnon was the sole shareholder, officer, and director of Mazu Publishing Company. Gagnon has never been associated with a registered broker-dealer and has never been registered with the Commission as a broker or dealer or in any other capacity.

RELATED INDIVIDUALS AND ENTITIES

14. **Mazu Publishing Company** was an Oregon corporation until the State of Oregon administratively dissolved it in 2008 for failure to pay its annual registration fees.

15. **Gregory N. McKnight** is 50 years old and resides in Swartz Creek, Michigan. At all relevant times, McKnight controlled Legisi Holdings, LLC, and several other shell companies including Legisi Marketing, Inc.

16. **Legisi Holdings, LLC** is a Nevis, West Indies limited liability company that McKnight formed in February 2006 with its principal place of business in Swartz Creek, Michigan. The now defunct Legisi website represented that the Legisi Program (described below) was a wholly-owned subsidiary of Legisi Holdings. Legisi Holdings had no apparent business other than to serve as the entity through which McKnight conducted the offering of the Legisi Program investment contracts.

17. **Bryan K. Foster** ("Foster") was a resident of Longmont, Colorado from 2007 through 2009. In 1997, Foster was convicted of five counts of wire fraud in the U.S. District Court for the District of Montana and sentenced to 41 months in prison. Foster was also

convicted of one count of wire fraud in the United States District Court of Colorado in 2000 and sentenced to five years in prison. Foster died in June 2009 at the age of 57.

18. **Trails Home LLC** ("Trails Home") is a Colorado limited liability company. At all relevant times, it had its principal place of business in Loveland, Colorado. At all relevant times, Foster owned and controlled Trails Home.

19. **Jeffrey J. Kinseth** ("Kinseth") is 54 years old and resides in Cedar Rapids, Iowa. At all relevant times, Kinseth owned and controlled Virtual Vision, Inc.

20. **Virtual Vision, Inc.** ("Virtual Vision") is an Iowa corporation with its principal place of business in Cedar Rapids, Iowa.

JURISDICTION

21. This Court has jurisdiction over this action pursuant to Section 22(a) of the Securities Act [15 U.S.C. § 77v(a)] and Sections 21(e) and 27 of the Exchange Act [15 U.S.C. §§ 78u(e) and 78aa]. Venue is proper in this Court pursuant to Section 22(a) of the Securities Act [15 U.S.C. § 77v(a)] and Section 27 of the Exchange Act [15 U.S.C. §78aa].

22. The acts, transactions, practices, and courses of business constituting the violations alleged herein occurred within the jurisdiction of the United States District Court for the Eastern District of Michigan and elsewhere.

23. Gagnon, directly and indirectly, has made use of the means and instrumentalities of interstate commerce, the means and instruments of transportation and communication in interstate commerce, and the mails, in connection with the acts, transactions, practices, and courses of business alleged herein.

THE LEGISI PROGRAM

24. In or around December 2005, Gregory N. McKnight was an underemployed General Motors worker living outside Flint, Michigan. McKnight owed $11,184 on his VISA Gold credit card. His bank accounts were overdrawn by $156.

25. In December 2005, McKnight began offering and selling interests in a pooled investment program variously called Legisi.com or Legisi ("the Legisi Program"). McKnight promoted the offering around the globe through an Internet website at www.legisi.com ("the Legisi website").

26. McKnight told investors he would invest the money they sent him, and promised to pay his investors returns of as much as 15% per month.

27. In February 2006, McKnight incorporated a shell company called Legisi Holdings, LLC in the bank-secrecy haven of Nevis in the West Indies. McKnight controlled Legisi Holdings. McKnight wrote on the Legisi website that the Legisi Program was wholly owned by Legisi Holdings.

28. McKnight asserted on the Legisi website that the Legisi program was merely a "loan program" through which investors would "loan" money to Legisi and, in return, Legisi would pay investors high rates of interest.

29. In fact, however, the Legisi program was a classic pooled investment vehicle, in which investors invested money into a common venture with the expectation that the money would be used to generate profits, for McKnight and the investors, solely through the efforts of McKnight or others working on his behalf. The Legisi program was a security in the form of an investment contract.

30. The Legisi program was also a massive Ponzi scheme.

31. The Commission filed a civil injunctive action against McKnight, Legisi Holdings, and seven relief defendants on May 5, 2008. The Commission obtained an asset freeze against all of the defendants and four of the relief defendants, and the appointment of a Receiver. See SEC v. McKnight, et al. (08-11887, E.D. MI). The Court entered Orders of Preliminary Injunctions against McKnight and Legisi Holdings on May 16, 2008. McKnight and Legisi Holdings then defaulted.

32. McKnight was arrested on May 19, 2008 and charged with one count of wire fraud in violation of 18 U.S.C. §1343.

33. The wire fraud charge against McKnight was dismissed on June 4, 2008 following a Motion to Dismiss Complaint filed by the Unites States Attorney for the Eastern District of Michigan.

Gagnon's Agreement With McKnight to Promote Legisi

34. In or about January 2006, McKnight and Gagnon discussed the idea of Gagnon promoting the Legisi program on the Mazu website.

35. McKnight and Gagnon had known each other for several years after Gagnon recruited McKnight into a multilevel marketing business called "Mannatech." McKnight became part of Gagnon's "down line," meaning that a portion of McKnight's commissions from selling Mannatech products went to Gagnon.

36. In or about January 2006, McKnight and Gagnon reached an agreement under which Gagnon would promote Legisi on the Mazu website and provide support services.

37. As part of their agreement, McKnight agreed to pay Gagnon for his marketing and support services. McKnight and Gagnon referred to these payments as "50% of the profits" of

Legisi. McKnight also agreed to pay Gagnon referral fees for new money invested in Legisi through the Mazu website.

38. Gagnon promoted Legisi on the Mazu website from at least January 2006 through at least May 2007.

39. In promotional materials, Gagnon referred to McKnight as Gagnon's "partner." Mazu employees also told Legisi investors in emails that Mazu Publishing and Legisi were partners.

40. Gagnon played an important role in the "success" of Legisi. As an associate of Gagnon affirmed in an email to McKnight, "Matt's right about one thing, we've done nothing but pump Legisi and the membership up since this entire program started."

41. In 2006, a majority of Mazu's and Gagnon's income came from promoting Legisi. In 2007, all of Mazu's and Gagnon's income came from promoting Legisi.

42. McKnight paid Gagnon a total of approximately $4,532,512 between January 29, 2006 and April 14, 2008.

43. All of the money Gagnon received from McKnight consisted of investor funds. There were no "profits" generated by Legisi.

44. Gagnon sent approximately $699,253 to McKnight over the course of the Legisi program. Gagnon's first transfer of money to McKnight was for $1,000 on February 22, 2006, nearly a month after McKnight's first payment to Gagnon in the amount of $3,700.

45. With the exception of $50,000 Gagnon sent to McKnight in April 2006, all of the $699,253 Gagnon sent to McKnight was simply Gagnon recycling Legisi investor money that he had already received from McKnight.

46. Net of funds Gagnon sent back to McKnight over the course of the Legisi program, Gagnon received approximately $3,833,259 from McKnight.

Gagnon and McKnight Conducted a Fraudulent, Unregistered Offering

47. Gagnon and McKnight jointly conducted a fraudulent, unregistered offering of investment contracts.

48. The investment contracts offered and sold by Gagnon and McKnight were interests in a pooled investment program called variously Legisi.com or Legisi.

49. Through their offering, Gagnon and McKnight raised approximately $72.6 million from between 3,000 and 4,000 investors.

50. The Legisi investors resided in all 50 states and several foreign countries.

51. On behalf of McKnight, Gagnon solicited investors around the world through the publicly available Mazu.com website. Gagnon wrote and/or reviewed and approved the content of the Mazu website.

52. No valid registration statement was filed or was in effect with the Commission in connection with Gagnon's offer and sale of Legisi program investment contracts.

53. Neither Gagnon nor anyone else on his or McKnight's behalf inquired into the financial status of the Legisi investors. Some Legisi investors had net worths of less than $1 million and/or annual incomes of less than $200,000 at the time they invested in the Legisi program.

54. Neither Gagnon nor anyone on his or McKnight's behalf provided the Legisi investors with any financial information about themselves or the Legisi program.

Gagnon Promotes Legisi

55. Between approximately January 2006 and approximately May 2007, Gagnon promoted the Legisi program on the Mazu website. Between approximately January 2006 and August 2007, Mazu employees working on Gagnon's behalf and at his direction promoted the Legisi program in emails, in Mazu Business Packs and DVDs they sent to investors, and on the Legisi Forum. The Legisi Forum was an on-line chat room accessible through the Legisi.com website. Several Mazu employees served as "moderators" on the Legisi Forum. Mazu's support services also included answering questions over the telephone and email.

56. On the Mazu website, Gagnon personally endorsed the Legisi Program through a signed testimonial bearing Gagnon's photograph and signature. In the testimonial, Gagnon described himself as an "author, home business mentor, direct marketing expert, investor, Dad, and business opportunity junkie" who had "taught tens of thousands of people from all over the world how to make millions of dollars on the Internet. Yes, *millions!*" (emphasis in the original).

57. Visitors to the Mazu website who wished to invest in Legisi followed a link on the Mazu website directly to the Legisi website, where they were able to begin the process of investing.

58. The Mazu employees acting as moderators encouraged readers to invest in Legisi, assisted them in transferring money to Legisi, encouraged investors to bring in new investors, and offered investors personal assistance in bringing in referrals. They also encouraged investors to keep their monthly earnings with Legisi, rather than withdrawing them, in order to achieve purportedly higher returns. They made sure transfers of money between investors and Legisi

went smoothly. The moderators updated investors on changes to the Legisi program like new minimum investment amounts and referral fee rules.

59. The moderators made posts on the Legisi Forum to prevent and diffuse investor rumors and concerns. After an article questioning Legisi's legitimacy appeared on the CNN Money website on May 8, 2007, one moderator wrote, "I think it is worth mentioning that the Forum is probably being read by people who are not Legisi members. So let's not raise red flags to any bulls out there shall we. . . . Of course so far as any discussion on the [CNN Money] article is concerned I'm sure that everyone is aware that Greg went into Legisi knowing the law and planning for this eventuality. So keep a cool head and stop worrying about what you should do."

60. In April 2007, Gagnon organized a "Legisi vacation" in Cancun, Mexico to give Legisi investors an opportunity to meet McKnight and Gagnon.

61. Gagnon and McKnight spoke about Legisi's future and upcoming changes to the Legisi Program to approximately 100 investors in attendance during a question-and-answer session one evening.

62. One investor videotaped this session. When an investor asked why Legisi was about to raise its minimum investment amount, it was Gagnon who answered. Gagnon explained that Legisi's administrative costs per investor were the same regardless of the amount invested and that raising the minimum investment amount would decrease the number of members and thus lower administrative costs.

<u>Gagnon's Misrepresentations and Misleading Omissions</u>

63. Throughout the period from January 2006 through at least May 2007, Gagnon misrepresented material facts and misleadingly omitted to disclose material facts in

communications to investors and prospective investors while promoting the Legisi program. Gagnon made these misrepresentations and materially misleading omissions on the Mazu website and in promotional materials he sent to Legisi investors.

64. Gagnon's misrepresentations and misleading omissions concerned, among other things, the legitimacy and safety of investments in the Legisi program, the use McKnight would make of offering proceeds, the results of McKnight's investments, and the true sources of the money McKnight paid out to investors.

Legitimacy of the Legisi Program

65. Gagnon described the Legisi Program as one that he endorsed after personal investigation and personal investment.

66. Gagnon stated on the Mazu website, as it appeared between at least March 2006 and July 2006:

> When a Mazu Partner came to us and wanted to put together a program that offered high level returns with low risk, given what we'd seen out there in the marketplace, we knew he had a winner. That relationship spawned a series of meetings and ultimately the program that you are just now learning about. It's not a trick, it's not a scam, there's nothing fancy or difficult about it. It's a simple loan program where you get to determine the terms in which you're paid back.
>
> Want 8.5% interest paid to your account monthly? Great! Want 10 or even 12% (now 15%!)? No problem. Those plans are available too. If you choose to compound your repayments back into your account (optional), look at what happens to your deposit! That's right!! Compounding a repayment rate of 10% back into your deposit over 12 months more than *TRIPLES* your working capital.... see for yourself!
>
> * * * * * * *
>
> Think of it....Mazu's credibility, high yield returns in the form of "repayments" to you, and you don't have to do anything to do very well. Well, nothing other than fund an account. **I've put thousands of my own hard-earned dollars into this as an investment and it's paying**

> **off big-time! That's how much confidence I have in it!** (emphasis in original)

67. On the Mazu website, Gagnon wrote, "After having analyzed literally thousands of business opportunities, I can tell you that this is literally the greatest I have ever seen."

68. Gagnon also wrote, "Legisi is a sophisticated loan program designed by one of the most honorable professional managers that we at Mazu.com have ever known in our vast experience."

69. In a Mazu Business Pack, Gagnon wrote, "[t]he simple truth is that Legisi is the only genuine high yield passive income program that we at Mazu have ever found."

70. Gagnon also wrote, "Mazu discovered Legisi and found it was so outstanding in many areas of simplicity and earning potential that we considered it was an ideal fit for our clients and associates."

71. In another version of the Mazu Business Pack, Gagnon wrote, "IN ALL OUR EXPERIENCE IF (sic) HIGH YIELD PROGRAMS THIS IS THE ONLY GENUINE PROGRAM THAT WE HAVE EVER FOUND!" (emphasis in the original).

72. Gagnon's statements were false and misleading.

Risks and Returns of the Legisi Program

73. Gagnon also described the Legisi program as a low risk/high profit investment.

74. On the Mazu website, as it appeared in 2007, Gagnon described the Legisi program as, "10 to 12.5% on your money *per month* with No Work and Little to No Risk!", and as the program that allowed him to "100% retire in 2006." (emphasis in original)

75. Gagnon also wrote, "Want to earn large monthly returns without the risk and without worrying about being scammed? CLICK HERE." (emphasis in original) Following the

"Click Here" link took the investors to the section of the Mazu website where Gagnon promoted Legisi.

76. In 2006, a Mazu employee told a prospective investor that Legisi was "safe like a bank CD, but with higher rates."

77. Gagnon wrote, "Greg pays between 10% and 12.5% per month on the money that folks lend to the program. Month in and month out. Just like clockwork."

78. Gagnon's statements were false and misleading.

Use of Investor Funds

79. Gagnon represented that McKnight invested Legisi investor funds in various investment vehicles, including foreign currencies, commodities, and stocks.

80. For example, Gagnon wrote on the Mazu website as it appeared between at least March 2006 and July 2006:

> We're able to tap into the very lucrative Forex (Foreign Exchange) and Comex (Commodities Exchange) arenas and also the Stock Market. Profits from these investments as well as Internet Marketing and Arbitrage Trading activities are used to enhance the greater program and increase stability for the long term for all participants."

81. Gagnon also knew that McKnight was making similar statements to investors.

82. During the question-and-answer session in Mexico in April 2007, Gagnon stood behind McKnight as McKnight told the audience that:

> We're in the foreign exchange market, in foreign currencies. We're in commodities, options, in both. Not futures; futures are a little risky if you know anything about commodities. We use options...you can set up situations, spreads on the different commodities so that they're always profitable which ever direction it's heading, as long as it's heading in a direction. If it stays stable then nobody makes money.

83. Gagnon's and McKnight's statements were false and misleading.

84. In fact, of the approximately $72.6 million that the Defendants raised from Legisi investors, McKnight only used a net of approximately $32,818,466 to make the promised investments.

85. Between January 2006 and August 2006, McKnight invested only $181,479 of the Legisi investors' money and invested that money in three HYIPs. Only $88,222 of the funds McKnight transferred to the HYIPs was ever returned, resulting in a loss of approximately $93,256.

86. McKnight diverted at least $27.5 million of Legisi investors' money to pay purported interest to other Legisi investors, to return principal to other Legisi investors, and to pay commissions to Legisi investors who referred other investors to Legisi. That is, McKnight operated the Legisi program as a Ponzi scheme.

87. McKnight also converted at least $2,263,886 of the investors' money for his personal use, as well as that of his family, relatives, and friends.

88. McKnight also diverted approximately $4.5 million of additional investor funds to pay Gagnon and Mazu.

Results of McKnight's Investments

89. Gagnon misrepresented that the investments McKnight made with the investors' money were profitable.

90. Gagnon represented on the Mazu website and in promotional materials that McKnight's investments routinely generated profits of 15 percent to 18 percent each month.

91. In at least 2006, Gagnon stated on the Mazu website and in other materials, that "profits from these investments . . . are used to enhance our program(s) and increase stability for the long term."

92. Gagnon wrote on the Mazu website as it appeared in 2006:

> Why in the world would someone pay me 12% on my money every month for doing absolutely nothing?
>
> That's a great question with a very simple answer ....because we know how to earn *more* than 8.5 to 12% with it in that time in situations with minimal to no risk. Because we can use your money, turn a profit of 15 or 20%, or better, pay you your 10 or 12%, and still walk away with a handsome profit. (emphasis in original)

93. Gagnon wrote on the Mazu website as it appeared in 2006 and 2007:

> Some of you might be saying, "Matt, how can your buddy afford to pay folks 12.5% a month on their money?" Great question. The answer is simple. Because he can make 15+% on the money and keep the difference.

94. Gagnon's representations of profitability were all false and misleading.

95. Between December 28, 2005 and April 9, 2008, McKnight had net realized and unrealized losses, inclusive of commission and fees paid, of approximately $3,771,723.

Sources of Money Paid Out to Investors

96. From December 2005 through the first half of April 2008, McKnight paid out a total of approximately $27.5 million to Legisi investors.

97. Gagnon represented to investors that McKnight was making these payments using the profits generated from investments he made with Legisi investor funds. Gagnon's representation was false.

98. In fact, McKnight funded his payments to Legisi investors with money obtained from other investors. In other words, he operated a classic Ponzi scheme.

Gagnon Had No Basis for the Statements He Made about McKnight and Legisi

99. Gagnon's representations that he had investigated the Legisi program before promoting Legisi were false.

100. Gagnon did not conduct any due diligence into the Legisi Program before or during his promotion of Legisi other than a purported background check of McKnight.

101. Gagnon's representations that McKnight consistently generated returns exceeding 15% were false.

102. Gagnon did not obtain or review any of McKnight's trading records, bank and brokerage account statements, or e-currency account records at any point prior to, or during, Gagnon's promotion of Legisi.

103. Gagnon did not know what McKnight was doing with the investors' money.

104. Gagnon did not know how or where McKnight invested or used investor funds.

105. Gagnon did not know the results of the investments McKnight made with Legisi investor funds.

106. Gagnon did not know the sources of the money McKnight was paying out to investors.

107. Gagnon did not know the sources of the money McKnight was paying to Gagnon, or Mazu.

108. Gagnon knew that McKnight was an underemployed auto-worker living outside Flint, Michigan who had to sell health care supplements for additional income.

109. Gagnon knew, or was reckless in not knowing, that McKnight was not a professional money manager.

110. Gagnon knew that when he sent money to McKnight, he was simply recycling money he had already received from McKnight. Gagnon knew he was not sending his "own money" to McKnight.

111. Gagnon deliberately lied when he stated that he had retired in 2006 on his returns from the Legisi program.

Gagnon Knew, or Recklessly Disregarded Warnings, That Legisi Was a Fraud

112. Throughout the time that Gagnon promoted Legisi, he simultaneously warned readers about a type of fraud referred to as a high yield investment program. High yield investment programs, commonly called "HYIPs," typically involve off-shore companies promising very high rates of interest generated by investment in foreign currencies and a variety of other vehicles, along with repeated hyping of the legitimacy of the program.

113. From at least April 2006 through at least May 2007 Gagnon provided on the Mazu website an accurate description of a HYIP by stating that they:

> collect funds from lenders as investment capital or *deposits* and promise a return that is usually extremely high in exchange for 'borrowing your money.' The result? Generally after a period of time you are free to withdraw your capital and or your profits, or you can 'reinvest' them to earn additional profits. In theory, the compounding can create a crazy return on investment given time. (emphasis in original).
>
> * * * * * *
>
> Sadly, most HYIPs are offshore fronts that don't lie within U.S. jurisdiction and you have no recourse when they steal your money. Most HYIPs realize this and they bank on it! They've got you right where they want you. Most also allude to making their profit in legitimate investment vehicles when in reality, you have no idea where they're making their profit.

114. Throughout the time Gagnon promoted Legisi, he also warned readers about Ponzi schemes. On the Mazu website between at least April 2006 and May 2007, Gagnon accurately described a Ponzi scheme as an "investment program touting huge returns in a short period of time. Any returns someone sees are paid out of monies gathered from the investors. No real product, investment, or business takes place." Gagnon went on to describe the frenzied

investments in a Ponzi scheme that occur once initial investors begin receiving their promised returns.

115. In fact, McKnight was operating a HYIP and a Ponzi scheme.

116. Gagnon knew, or was recklessly disregarded warnings, that Legisi was both a HYIP and a Ponzi scheme.

117. Gagnon knew, or was reckless in not discovering, that McKnight had incorporated Legisi offshore, in the Caribbean jurisdiction of Nevis.

118. Gagnon knew that McKnight was promising to pay fantastically high returns to investors of 10% to 12.5% each month.

119. Gagnon knew that McKnight claimed he routinely generated returns from his investments at the even higher rates of 15% to 18% per month.

120. Gagnon knew that McKnight was secretly paying Gagnon millions of dollars for promoting Legisi through Mazu. Gagnon did not disclose to investors that he was to receive 50% of Legisi's purported "profits" under his agreement with McKnight.

<u>Gagnon Parts Ways with McKnight</u>

121. By the summer of 2007, Legisi was beginning to experience severe cash flow problems, due to McKnight's significant trading losses, the large amounts he had invested in several illiquid investments, and the federal seizure of an e-currency provider that was holding $1.8 million for McKnight.

122. In the midst of the cash crisis, in August and September 2007, Gagnon and McKnight engaged in a series of acrimonious e-mails. Both men knew that Legisi was running out of cash. By this point both men were also aware that the Commission had commenced an investigation into Legisi. In his emails, Gagnon attempted to distance himself from McKnight

by claiming McKnight had deceived him about how he had used Legisi investor money and the losses he had suffered.

123. Gagnon then attempted to extort money from McKnight. On September 9, 2007, Gagnon informed McKnight that he was ending the partnership between Legisi and Mazu. Gagnon offered McKnight a choice: send Gagnon and several of Gagnon's associates approximately $2.5 million, tell the Legisi members that Gagnon was starting a real estate fund, and that Mazu and Legisi were parting amicably, or Gagnon would email the entire Legisi membership and tell them "the truth" about McKnight's fraud.

124. The next day, McKnight transferred $61,698 from his E-Bullion account to the E-Bullion account of Gagnon's office manager.

125. On September 12, 2007, McKnight wrote on the Legisi Forum that Mazu and Legisi were no longer working together, that the parting was "completely amicable," and that Mazu was "simply moving on to other ventures."

126. Gagnon's efforts at extorting money from McKnight were not limited to e-mail. Early the morning of November 26, 2007, Gagnon, Skordal, and another man arrived unannounced at McKnight's home and demanded he pay them the remainder of what they claimed he owed them. That same day, McKnight withdrew $45,000 from his bank, sending $15,000 to each man. McKnight wired an additional $70,000 to Gagnon on November 30, 2007.

127. On April 9, 2008, the Commission staff sent Gagnon's attorney a declaration for Gagnon to sign in which he would assert his Fifth Amendment privilege against self-incrimination, refusing to answer all questions about Mazu Publishing, the Legisi Program, McKnight, or any of McKnight's companies in lieu of testifying before the Commission staff in connection with its investigation into McKnight and the Legisi Program.

128. On April 11, 2008, McKnight sent a wire transfer in the amount of $25,000 to Gagnon. This transfer was returned on the same day because the recipient account was in the name of Mazu Publishing, rather than Gagnon.

129. On April 14, 2008, McKnight sent another wire transfer in the amount of $25,000 to Mazu Publishing. This transfer cleared.

130. On the very same day, April 14, 2008, Gagnon signed the declaration the Commission staff had sent on April 9, 2008.

131. Between September 10, 2007 and April 14, 2008, McKnight sent at least $110,000 to Gagnon, $40,000 to Mazu's Vice President Doug Skordal, and $61,698 to Gagnon's office manager.

132. Since McKnight had no real money of his own, the source of all of these payments was Legisi investor funds.

THE REAL ESTATE OFFERING

Gagnon's Public Solicitation of Investors

133. From at least August 15, 2007 through at least September 17, 2007, Gagnon conducted a fraudulent, unregistered offering securities, purportedly to finance the purchase of resort properties and other real estate (the "Real Estate Offering").

134. Through the Real Estate Offering, Gagnon raised approximately $361,865 from approximately 21 investors. One of these investors was Gagnon's close friend Jeffrey Kinseth, who sent Gagnon $75,000 for the Real Estate Offering on or about September 6, 2007.

135. Gagnon solicited investors around the world through the Mazu website. The Real Estate Offering investors resided in at least nine states and Australia.

136. Gagnon also communicated with investors and prospective investors by email.

137. No valid registration statement was filed or was in effect with the Commission in connection with Gagnon's offer and sale of the Real Estate Offering investment contracts.

138. Neither Gagnon nor anyone else on his behalf inquired into the financial status of the Real Estate Offering investors. Some investors had net worths of less than $1 million and/or annual incomes of less than $200,000 at the time they invested in the Real Estate Offering.

139. Neither Gagnon nor anyone else on his behalf provided the Real Estate Offering investors with any financial information about himself or the Real Estate Offering.

140. Gagnon offered two investment options on the Mazu website and in emails to investors. In the first, Gagnon promised investors a 24% annual return on their investment, plus the return of their original investment. In the second, Gagnon promised investors who made minimum investments of $10,000 that they would receive a 200% annual return, plus the return of their original investment, payable in 14 months. Gagnon said this second option would "triple" (sic) investors' money, and was limited to the first $2 million Gagnon raised. Anyone investing after Gagnon received $2 million would be enrolled in the first option.

141. Gagnon asserted on the Mazu website and in emails to investors that the Real Estate Offering was merely a "loan" through which investors would "loan" money to Gagnon and, in return, he would pay investors high rates of interest.

142. In fact, however, the Real Estate Offering was a classic pooled investment vehicle, in which investors invested money into a common venture with the expectation that the money would be used to generate profits, for Gagnon and the investors, solely through the efforts of Gagnon and people other than the investors.

143. Gagnon did not maintain separate accounts for each investor. Rather, he pooled the Real Estate Offering investors' funds in bank accounts and e-currency accounts that he controlled.

144. Investors were expected to do nothing more than invest their money.

145. The investors' profits were to be generated from the efforts of Gagnon and others.

146. Gagnon provided one investor a promissory note in exchange for her investment. Specifically, the promissory note issued by Gagnon guaranteed the investor a return of 200% per year in addition to the return of the original investment, to be paid within 14 months. The note Gagnon issued was not delivered in consumer financing, secured by a mortgage on a home, secured by a lien on a small business or some of its assets, secured by an assignment of accounts receivable, did not evidence a 'character' loan to a bank customer or a loan by a commercial bank for current operations, and did not formalize an open-account debt incurred in the ordinary course of business.

147. Gagnon sold the real estate note to raise capital to operate Gagnon's purported new real estate company. The investor who purchased the note was primarily interested in earning the profits that Gagnon had guaranteed. Gagnon offered and sold the notes to a broad segment of the public over the Mazu website. The investor who purchased the note saw the note as an investment. The note Gagnon sold was not subject to the supervision of a regulatory agency other than the Commission. Gagnon did not insure the note nor was there collateral protecting the investment.

148. Between July 13, 2007 and September 17, 2007, Gagnon sent at least $800,000 to accounts in the name of Trails Home, LLC, which was controlled by Bryan K. Foster. This money included the money he received from the investors, including Kinseth. Of the $800,000,

Gagnon sent $438,135 of what he claimed was his "own money." Of this money, $422,775 was derived directly from money Gagnon had received from McKnight in connection with Gagnon's promotion of Legisi.

149. In August 2007, separate and apart from the Real Estate Offering, Gagnon's close friend Douglas Skordal sent a $100,000 investment directly to Trails Home.

Gagnon's Misrepresentations and Misleading Omissions

150. From at least August 15, 2007 through at least September 17, 2007, Gagnon misrepresented material facts and misleadingly omitted to disclose material facts in communications to investors and prospective investors. Gagnon made these misrepresentations and materially misleading omissions on the Mazu website and in emails with investors.

151. Gagnon's misrepresentations and misleading omissions concerned, among other things, the legitimacy and safety of investments in the Real Estate Offering and his ability to generate the levels of return he promised.

152. Gagnon represented to investors that he was starting a new company and investing program to invest in real estate, including golf courses and other resort properties.

153. Gagnon represented that the program would be "100% SEC compliant" and that Wells Fargo Bank was "monitoring" the program.

154. Gagnon promised that he would provide a complete prospectus to investors.

155. Gagnon guaranteed investors the return of their original investment and the interest returns he promised. He stated that he was assuming all of the risks of investing.

156. Prior to sending $10,000 to Gagnon, one investor told Gagnon in an email that she was going to use the $10,000 and the interest to pay for college in two years. In his response

email, Gagnon wrote, "Of course I will create a loan agreement between you and myself with a personal guarantee as well (for your principle) (sic)."

157. In a later email to investors, Gagnon wrote, "I can give you a one page personal loan agreement. This is for your protection only. Just to show that you lent me money and my personal guarantee to pay it back with interest."

158. Gagnon wrote on the Mazu website, "I will triple your money in 12 to 14 months, and then pay you 24% per year after that!"

159. Gagnon represented that the real estate projects in which he would invest the investors' money (and his own), would generate "between 300% to 1,000% return (sic) in 18 to 24 months." Thus, he wrote, "cutting our customers in for 24% to 60% (with compounding) isn't a problem."

160. Gagnon's representations concerning the Real Estate Offering were false and misleading.

161. Gagnon knew that he had not formed a new company to invest in real estate.

162. Gagnon knew that the Real Estate Offering was not registered with the Commission.

163. Gagnon knew that Wells Fargo was not "monitoring" the Real Estate Offering.

164. Gagnon knew that he had not sent a prospectus to investors.

165. Gagnon knew, or was reckless in not knowing, that he could not guarantee the safety of the investors' principal, let alone the promised returns.

166. Gagnon knew that he was not assuming any of the investors' risks.

167. Gagnon knew, or was reckless in not knowing, that he could not generate returns of 24% a year, let alone 200% or 1000% a year.

168. Gagnon did not disclose to investors that he would be sending their money to Foster or Trails Home.

169. Gagnon conducted no due diligence or investigation into Foster, Trails Home, their finances, or the purported real estate properties before he began offering the Real Estate Offering to investors. He did not conduct a background check of Foster or Trails Home. He did not review any of Foster's or Trails Home's financial or account statements.

170. In fact, Foster was a twice-convicted felon who had served time in federal prison for frauds he conducted in Colorado and Montana.

171. Gagnon knew, or was reckless in not knowing, that Foster had been convicted of fraud. He did not disclose Foster's fraud convictions to investors.

172. Gagnon did not disclose to investors that he had not conducted any due diligence or investigation into Foster, Trails Home, their finances, or the purported real estate properties before he began offering the Real Estate Offering to investors.

173. From November 2007 through May 2008, Gagnon received $222,000 from Trails Home.

174. From November 2007 through March 2008, using the money Trails Home had sent him, Gagnon repaid Kinseth the entire $75,000 Kinseth had sent to Gagnon for the Real Estate Offering. Gagnon did not disclose to investors that he would repay his friend Kinseth ahead of them.

175. On February 15, 2008, using the money Trails Home had sent him, Gagnon repaid investor Thor Odland $10,000 of the $10,020 Odland had sent to Gagnon on September 12, 2007 for the Real Estate Offering. Odland had been the last investor to send money to Gagnon. Gagnon did not disclose to investors that he would repay Odland ahead of them.

176. Between November 2007 and May 2008, using the money Trails Home had sent him, Gagnon paid $100,000 to Skordal. Gagnon did not disclose to investors that he would use investor funds to pay his friend Skordal, who had not invested any money with Gagnon, before he paid them.

177. Kinseth, Odland, and Skordal are the only people to whom Gagnon has sent money he received from Trails Home.

178. Gagnon kept the remaining money he received from Trails Home for himself.

179. Gagnon has not returned any money to any other investors in the Real Estate Offering.

THE MANAGED FOREX TRADING OFFERING

Gagnon Sent Money to Kinseth to Trade in Forex on Gagnon's Behalf

180. From July 2008 through February 24, 2009, Gagnon sent a total of $255,000 to Kinseth to trade for him in Forex accounts Kinseth controlled in the name of his company Virtual Vision. By July 1, 2009, Kinseth had returned $153,780 to Gagnon.

181. During the same period, Kinseth was also receiving money from other people to trade in Forex trading accounts he controlled in his name or through Virtual Vision. From July 2008 through February 2009, Kinseth had received a total of $706,500 from Gagnon and others to trade in Forex. He continued to receive money from other people to trade in Forex through at least September 2009.

182. During the July 2008 through February 24, 2009 period, Kinseth transferred only $242,600 to the Forex trading accounts he controlled.

Gagnon's Public Solicitation of Investors

183. In early 2009, Gagnon began encouraging Kinseth to offer investors a managed Forex trading program and to let Gagnon promote it. Kinseth agreed.

184. In April 2009, Gagnon then revived and redesigned the Mazu website. As before, it was available to the general public. He continued to tout himself as an expert in business opportunities and investments.

185. He immediately began recommending new "opportunities" on the Mazu website, including Kinseth's trading program.

186. From at least April 30, 2009 through at least July 1, 2009, Gagnon conducted a fraudulent, unregistered offering of investment contracts (the "Managed Forex Trading Offering").

187. Gagnon promoted Kinseth and the Managed Forex Trading Offering in much the same way as he had promoted McKnight, Legisi, and the Real Estate Offering. Gagnon described the investment as being a "loan" of money to Kinseth, in return for which Kinseth would pay investors high rates of interest.

188. Gagnon called Kinseth an "old friend" and a "buddy," and represented that Kinseth was a successful Forex trader.

189. In fact, Kinseth was a novice who had learned what he knew of Forex trading through self-study courses available on the Internet.

190. Gagnon invited prospective investors who had concerns about Kinseth's legitimacy and expertise to visit Kinseth in Cedar Rapids, Iowa to watch him trade. Gagnon also represented that Kinseth was willing to show investors his trading records for the last six months because, "Folks that are scammers don't know how to trade."

191. The Managed Forex Trading Offering was a classic pooled investment vehicle, in which investors were to invest money into a common venture with the expectation that the money would be used to generate profits, for Kinseth and the investors, solely through Kinseth's efforts.

192. Gagnon offered two investment options for the Managed Forex Trading Offering. Each required a minimum investment of $10,000. The first option promised a monthly return of 2% paid quarterly. The second option offered a 30% annual return paid annually. The Mazu website said the offer was limited to "a dozen people or so."

193. Gagnon offered investors who selected the first option the choice to either withdraw all principal and interest at the end of each quarter, to continue for another quarter, or to move the investment into the 30%-a-year plan.

194. Gagnon and Kinseth would not maintain separate accounts for each investor in the Managed Forex Trading Offering. Rather, they would pool investor money into brokerage accounts controlled by Kinseth.

195. However, if an investor invested more than a million dollars, Gagnon represented that Kinseth would establish a separate account for the investor and split the profit with the investor. This offer was described as being available for only one client.

196. No valid registration statement was filed or was in effect with the Commission in connection with Gagnon's offer of investment contracts from the Managed Forex Trading Offering.

197. Gagnon solicited investors through the publicly available Mazu website. Gagnon controlled the Mazu website and was responsible for its content.

198. The website contained an on-line form for interested investors to fill out and submit to Kinseth. The form asked only for an investor's name, email, phone, country, and the amount of money the investor was interested in investing.

199. Gagnon's promotion of the Managed Forex Trading Offering was unsuccessful. No one invested in it during the period he promoted it.

Gagnon's Misrepresentations and Misleading Omissions

200. Throughout the period from April 2009 through July 2009, Gagnon misrepresented material facts and misleadingly omitted to disclose material facts in communications to prospective investors. Gagnon made these misrepresentations and materially misleading omissions on the Mazu website.

201. Gagnon's misrepresentations and misleading omissions concerned, among other things, Kinseth's Forex trading expertise and trading results, the feasibility of the returns Gagnon promised investors, and the origins of the money Kinseth was already using to trade in Forex.

202. Between April 2009 and July 2009, Gagnon stated on the Mazu website that Kinseth "has been doing very, very well trading Forex for the last couple of years" and was a "very competent trader."

203. Gagnon also wrote that Kinseth, "basically watches four or five markets a day but pulls in 5% to 8% every month doing it" and that Kinseth, "spends 12 hours a day, 5 ½ days a week watching the market."

204. Gagnon wrote on the Mazu website that Kinseth traded Forex with $300,000 of his own money.

205. Gagnon did not state on the Mazu website that investors could lose money investing in the Managed Forex Trading Offering.

206. Gagnon's claims to potential investors were false and misleading.

207. Kinseth was never a successful Forex trader. In the year before Gagnon invested with him, Kinseth's trading accounts realized losses of at least $47,687.

208. In the approximately ten-month period that Kinseth traded on Gagnon's behalf before Gagnon started promoting the Managed Forex Trading Offering in April 2009, Kinseth's accounts realized losses of at least $154,570.

209. Gagnon had no basis for the claims he made about Kinseth's Forex trading.

210. Gagnon conducted no due diligence or other investigation into Kinseth's finances or his trading results before or after he offered the Managed Forex Offering on the Mazu website.

211. Gagnon never reviewed records of Kinseth's trading accounts.

212. By February 24, 2009, Gagnon had sent a total of $255,000 to Kinseth to trade for him in Forex accounts Kinseth controlled. He also knew that other people had sent money to Kinseth to trade on their behalf. If Gagnon had reviewed Kinseth's trading records, he would have clearly seen that Kinseth had diverted most of the funds Kinseth had received from Gagnon and others for purposes other than Forex trading.

213. Both before and during his promotion of the Managed Forex Trading Offering, Gagnon recklessly ignored several warning signs that Kinseth's trading was not as successful as Gagnon claimed on the Mazu website.

214. In approximately July 2008, Gagnon and Kinseth had agreed that Kinseth would provide Gagnon with a monthly return of ten percent. In late 2008, Kinseth asked Gagnon to lower this rate of return because it was difficult to maintain such a rate. Gagnon refused, but agreed to take less per month, and Kinseth would have to make up the difference later.

215. In January 2009 and February 2009, Kinseth wrote two checks to Gagnon, each for $15,000. Both checks bounced.

216. On or about May 20, 2009, Kinseth wrote a third check to Gagnon, for $13,300. This check bounced too.

217. After the May 2009 check bounced, Gagnon demanded that Kinseth pay him. Kinseth wired $400 to Gagnon on May 27, 2009. Between that date and July 1, 2009, Kinseth wired a total of $2,000 to Gagnon.

218. After the May 2009 check bounced, Gagnon asked Kinseth about the results of Kinseth's Forex trading. Kinseth replied that his trading was not going well. Gagnon did not review Kinseth's trading records until at least July 11, 2009.

219. Gagnon continued to represent that Kinseth was a successful and expert Forex trader until at least July 2009.

GAGNON CONTINUES TO BE A DANGER TO THE INVESTING PUBLIC

220. Gagnon has continued his efforts to obtain money from the investing public.

221. In October and November 2009, Gagnon offered investors a new opportunity for managed Forex trading, this time with an unnamed trader in Europe he claimed to represent. Gagnon wrote that this trader had averaged returns over 10% per month for over a year.

222. On the Mazu website, Gagnon stated that under this new program, investors would open and fund their own foreign currency trading accounts at any brokerage firm they wanted, and would give Gagnon's trader a power of attorney allowing him to place trades in their accounts.

223. A minimum of $10,000 was required and the trader would keep 40% of all profits generated, but in exchange, Gagnon promised "consistent monthly profits" and "very few losing trades."

224. Gagnon represented that the arrangement was safe because the trader could not withdraw money from investors' accounts, but could only trade. Gagnon claimed this offer was limited to only 15 people.

225. Gagnon removed this offer from the Mazu website by the first week of November 2009, within days of receiving notice from the Commission staff that the staff had issued subpoenas for his personal bank records.

226. More recently, as of at least April 8, 2010, the Mazu website contained a promise that details would come soon about a new "Managed Trading" opportunity.

227. Gagnon referred to "Our Trader" and promised that the trader "has averaged over 5%+ to 8%% (sic) per month for his clients (after his fee)." Gagnon did not name the trader.

CLAIM ONE
Violations of Section 5(a) and (c) of the Securities Act
[15 U.S.C. §§ 77e(a) and 77e(c)]

228. Paragraphs 1 through 8 and 12 through 219 above are realleged and incorporated herein by reference.

229. By his conduct, Gagnon, directly or indirectly: (i) made use of means or instruments of transportation or communication in interstate commerce or of the mails to sell, through the use or medium of a prospectus or otherwise, securities in the Legisi Program and the Real Estate Offering, as to which no registration statement was in effect; (ii) for the purpose of sale or delivery after sale, carried or caused to be carried through the mails or in interstate commerce, by any means or instruments of transportation, securities in the Legisi Program and

the Real Estate Offering, as to which no registration statement was in effect; and (iii) made use of any means or instruments of transportation or communication in interstate commerce or of the mails to offer to sell or offer to buy, through the use or medium of a prospectus or otherwise, securities in the Legisi Program, Real Estate Offering, and Managed Forex Trading Offering as to which no registration statement had been filed.

230. No valid registration statements were filed or were in effect with the Commission in connection with Gagnon's offer and sale of securities in the Legisi program, the Real Estate Offering, or the Managed Forex Trading Offering.

231. By reason of the foregoing, Gagnon has violated, and unless restrained and enjoined, will continue to violate Sections 5(a) and (c) of the Securities Act [15 U.S.C. §§ 77e(a) and (c)] as to the Legisi Program and the Real Estate Offering, and violated Section 5(c) of the Securities Act [15 U.S.C. § 77e(c)]as to the Managed Forex Trading Offering.

CLAIM TWO
Violations of Section 17(a)(1) of the Securities Act
[15 U.S.C. § 77q(a)(1)]

232. Paragraphs 1 through 8 and 12 through 219 above are realleged and incorporated herein by reference.

233. By his conduct, Gagnon, in the offer or sale of securities in the Legisi program, the Real Estate Offering, and the Managed Forex Trading Offering, by the use of means or instruments of transportation or communication in interstate commerce and by the use of the mails, directly or indirectly, has employed devices, schemes or artifices to defraud.

234. Gagnon acted with scienter.

235. By reason of the foregoing, Gagnon violated, and unless restrained and enjoined, will continue to violate, Section 17(a)(1) of the Securities Act [15 U.S.C. § 77q(a)(1)].

CLAIM THREE
Violations of Sections 17(a)(2) and 17(a)(3) of the Securities Act
[15 U.S.C. §§ 77q(a)(2) and 77q(a)(3)]

236. Paragraphs 1 through 8 and 12 through 219 above are realleged and incorporated herein by reference.

237. By his conduct, Gagnon, in the offer or sale of securities in the Legisi Program, the Real Estate Offering, and the Managed Forex Trading Offering, by the use of means or instruments of transportation and communication in interstate commerce and by the use of the mails, directly or indirectly, has obtained money or property by means of untrue statements of material fact or omissions to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; or has engaged in transactions, practices or courses of business which have been operating as a fraud or deceit upon purchasers of securities in the Legisi Program and the Real Estate Offering.

238. By reason of the foregoing, Gagnon violated, and unless restrained and enjoined, will continue to violate, Sections 17(a)(2) and 17(a)(3) of the Securities Act [15 U.S.C. §§ 77q(a)(2) and 77q(a)(3)] as to the Legisi Program and the Real Estate Offering, and violated Section 17(a)(3) of the Securities Act [15 U.S.C. § 77q(a)(3)] as to the Managed Forex Trading Offering.

CLAIM FOUR
Violations of Section 17(b) of the Securities Act
[15 U.S.C. §§ 77q(b)]

239. Paragraphs 1 through 6, 12 through 16, and 21 through 132 above are realleged and incorporated herein by reference.

240. Gagnon, by the use of means or instruments of transportation or communication in interstate commerce or by use of the mails published, gave publicity to, and circulated a

notice, circular, advertisement, newspaper, article, letter, investment service, or communication which, though not purporting to offer a security for sale, described such security for a consideration received or to be received, directly or indirectly, from an issuer, underwriter, or dealer, without fully disclosing the receipt, whether past or prospective, of such consideration and the amount thereof.

241. By reason of the foregoing, Gagnon violated, and unless restrained and enjoined, will continue to violate, Section 17(b) of the Securities Act [15 U.S.C. § 77q(b)].

CLAIM FIVE
Violations of Section 10(b) of the Exchange Act and Rule 10b-5 Thereunder
[15 U.S.C. § 78j(b) and 17 C.F.R. § 240.10b-5]

242. Paragraphs 1 through 7, 12 though 18, and 21 through 179 above are realleged and incorporated herein by reference.

243. By his conduct, Gagnon, in connection with the purchase or sale of securities in the Legisi Program and the Real Estate Offering, by the use of means or instrumentalities of interstate commerce or by the use of the mails, directly or indirectly: (a) employed a device, scheme or artifice to defraud; (b) made untrue statements of material fact and omitted to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; and (c) engaged in an act, practice, or course of business which has been or is operating as a fraud or deceit upon other persons, including purchasers and sellers of such securities.

244. Gagnon acted with scienter.

245. By reason of the foregoing, Gagnon violated, and unless restrained and enjoined, will continue to violate, Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 [17 C.F.R. § 240.10b.5] thereunder.

CLAIM SIX
Violations of Section 15(a)(1) of the Exchange Act
[15 U.S.C. § 78o(a)(1)]

246. Paragraphs 1 through 6, 12 through 16, and 21 through 132 above are realleged and incorporated herein by reference.

247. Gagnon, while acting as or associated with a broker or dealer, effectuated transactions in, or induced or attempted to induce the purchase or sale of, securities in the Legisi Program while he was not registered with the Commission, as a broker or dealer or when he was not associated with an entity registered with the Commission as a broker or dealer.

248. By reason of the foregoing, Gagnon, violated, and unless restrained and enjoined, will continue to violate, Section 15(a)(1) of the Exchange Act [15 U.S.C. § 78o(a)(1)].

PRAYER FOR RELIEF

WHEREFORE, the Commission respectfully requests that the Court:

a. Issue findings of fact and conclusions of law that Matthew J. Gagnon committed the violations charged and alleged herein.

b. Issue Preliminary and Permanent Injunctions restraining Matthew J. Gagnon, his officers, agents, servants, employees, attorneys, and all person in active concert or participation with them, and each of them, from violating and from aiding and abetting violations of: (a) Sections 5(a) and 5(c) of the Securities Act; (b) Sections 17(a)(1), (2) and (3) of the Securities Act; (c) Section 17(b) of the Securities Act; (d) Section 10(b) of the

Exchange Act and Rule 10b-5 thereunder; and (e) Section 15(a)(1) of the Exchange Act.

c. Order Matthew J. Gagnon to pay disgorgement of his ill-gotten gains, derived directly or indirectly from the conduct complained of herein, together with prejudgment interest thereon.

d. Order Matthew J. Gagnon to pay to the Commission civil penalties pursuant to Section 20(d) of the Securities Act and Section 21(d)(3) of the Exchange Act.

e. Retain jurisdiction of this action in accordance with the principles of equity and the Federal Rules of Civil Procedure in order to implement and to carry out the terms of all orders and decrees that may be entered or to entertain any suitable application or motion for additional relief within the jurisdiction of the Court.

f. Grant an Order for such further relief as the Court may deem appropriate.

Respectfully submitted,

DATED: May 11, 2010

s/ John E. Birkenheier
JOHN E. BIRKENHEIER
ERIC M. PHILLIPS
JAMES G. O'KEEFE
Attorneys for Plaintiff
U.S. SECURITIES AND EXCHANGE COMMISSION
175 West Jackson Boulevard, Suite 900
Chicago, Illinois 60604
Telephone: (312) 886-3947 (Birkenheier)
Telephone: (312) 353-1942 (Phillips)
Telephone: (312) 886-2239 (O'Keefe)
Facsimile: (312) 353-7398

E-mail: BirkenheierJ@sec.gov
E-mail: PhillipsE@sec.gov
E-mail: OkeefeJ@sec.gov

LOCAL COUNSEL
s/ with consent of Michael Riordan
MICHAEL RIORDAN
Assistant United States Attorney
211 West Fort Street, Suite 2001
Detroit, MI 48226
Telephone: (313) 226-9602
Facsimile: (313) 226-2311